



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0511	<b>Title:</b>	Revise nursery and produce license laws
<b>Primary Sponsor:</b>	Mendenhall, Scott	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### **FISCAL SUMMARY**

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b>Expenditures:</b>				
State Special Revenue	(\$10,876)	(\$10,876)	(\$10,876)	(\$10,876)
<b>Revenue:</b>				
State Special Revenue	(\$12,150)	(\$12,150)	(\$12,150)	(\$12,150)
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### **Description of fiscal impact:**

HB 511 exempts vendors from a produce license when the farmer's market has a produce license and the produce was grown by the produce dealer in this state. This bill also exempts those who sell nursery stock at a farmer's market from getting a nursery license provided that the farmer's market has a nursery license.

### **FISCAL ANALYSIS**

#### **Assumptions:**

#### **Department of Agriculture:**

1. Based on department knowledge and an internet search, there are approximately 60 Farmer's Markets in the state.
2. The net impact to the department is a negative \$1,274 (produce decreased revenue of \$750 per year; and nursery decreased revenue of \$11,400 with a reduction in expenditures of \$10,876 for a net impact of \$1,274).

#### **Produce Program**

3. This bill would exempt all produce vendors who sell their own produce, grown in Montana, at an organized Farmer's Market from obtaining a produce license as long as the Farmer's Market obtains a license. It is estimated that the average number of vendors at an organized Farmer's Market is 30 (60 x 30 = 1,800 total vendors).
4. Forty percent of vendors sell produce for a total of 720 vendors (1,800 x 40% = 720).

5. Montana vendors with gross retail sales under \$15,000 annually are currently exempt from obtaining a produce license.
6. Producers with gross retail sales over \$15,000 would become exempt from licensure if they sold Montana produce at licensed Farmer's Markets.
7. Approximately 25% of Farmer's Markets or 15 ( $60 \times 25\% = 15$ ) include produce vendors with gross retail sales over \$15,000. These 15 Farmer's Markets would likely obtain licenses to exempt their produce vendors. This would result in an increase in program revenue of \$750 ( $15 \times \$50 \text{ license fee} = \$750$ ).
8. Approximately 30 in-state produce vendors gross more than \$15,000 and are required to license under the current statute. This bill would exempt those produce vendors from the licensing requirement and reduce program revenue by \$1,500 ( $30 \times \$50 \text{ license fee} = \$1,500$ ).
9. The net fiscal impact of this bill to the produce program would be a negative \$750 ( $\$1,500 - \$750 = \$750$ ) per year.

**Nursery Program**

10. This bill would exempt those who sell nursery stock at a Farmer's Market from getting a nursery license provided that the farmer's market has a nursery license.
11. Plants are regularly sold at Farmer's Markets. Three vendors at each Farmer's Market for a total of 180 vendors ( $3 \times 60 = 180$ ) would qualify for the nursery license exemption.
12. The nursery program would lose approximately \$17,100 ( $180 \times \$95 \text{ license fee} = \$17,100$ ) due to Farmer's Markets exemptions.
13. The department would continue to use the licensing services of the Department of Revenue (DOR) One-Stop services. The DOR currently charges \$4.37/license. The net loss in licenses would be 120 ( $180 \text{ vendors} - 60 \text{ farmer's markets} = 120$ ). Program expenditures would be reduced by \$524.40 ( $120 \text{ licenses} \times \$4.37/\text{license} = \$524.40$ ).
14. The net fiscal impact to the nursery program would be a negative \$10,875.60 ( $\$5,700 \text{ farmer's markets license fees} - \$17,100 \text{ exempt licenses} + \$524.40 \text{ reduced expenditure for processing licenses by DOR} = \$10,875.60 \text{ in lost revenue}$ ) each year.
15. Spending authority will be reduced by \$10,875.60 ( $\$4,036.97 \text{ in personal services, } \$6,314.23 \text{ in inspections, and } \$524.40 \text{ for DOR, One-Stop services} = \$10,875.60$ ).
16. This bill is effective upon passage and approval. The department is unable to estimate the actual revenue lost in FY 2009.

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services	(\$4,037)	(\$4,037)	(\$4,037)	(\$4,037)
Operating Expenses	(\$6,839)	(\$6,839)	(\$6,839)	(\$6,839)
<b>TOTAL Expenditures</b>	<b>(\$10,876)</b>	<b>(\$10,876)</b>	<b>(\$10,876)</b>	<b>(\$10,876)</b>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)	(\$10,876)	(\$10,876)	(\$10,876)	(\$10,876)
<b><u>Revenues:</u></b>				
State Special Revenue (02)	(\$12,150)	(\$12,150)	(\$12,150)	(\$12,150)
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
State Special Revenue (02)	(\$1,274)	(\$1,274)	(\$1,274)	(\$1,274)

**Technical Notes:**

1. It should be noted that vendors are exempt from a produce license when the Farmer's Market has a produce license and the produce was grown by the produce dealer in this state. Language relating to grown and sold locally (in Montana) is not included in the nursery section. Similar language should be included in the nursery section of the proposed bill.
2. Exempting nurseries from licensure reduces the department's ability to readily identify nurseries that would need to be contacted in order to determine a potential source of a pest, conduct trace forward and trace backs, and communicate risks. Adding a record keeping requirement would resolve this concern.

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*